

MURRAY COMMUNITY SCHOOL DISTRICT
MURRAY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

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MURRAY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 election)		
Dennis Jeter	President	2015
Terri Jones	Vice President	2015
John Siefkas	Board Member	2013
Aaron Peterson	Board Member	2013
Trevor Robbins	Board Member	2015
<u>School Officials</u>		
Alan Miller	Superintendent	2015
Elizabeth Justice	District Secretary/Treasurer	2013
Ron Peeler	Attorney	Indefinite
(After September 2013 election)		
Dennis Jeter	President	2015
Aaron Peterson	Vice President	2017
Terry Jones	Board Member	2015
Trevor Robbins	Board Member	2015
John Siefkas	Board Member	2017
<u>School Officials</u>		
Alan Miller	Superintendent	2015
Elizabeth Justice	District Secretary/Treasurer	2014
Ron Peeler	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Murray Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Murray Community School District, Murray Iowa, as of and for the year ended June 30, 2014 and the related notes to financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Murray Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 15 and 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Murray Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2014 on our consideration of Murray Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Murray Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
September 23, 2014

Hunt & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Murray Community School District's comprehensive annual financial report presents management's discussion and analysis of the District's financial performance for the year ending June 30, 2014. Please read it in conjunction with the district's financial statements.

Financial Highlights

- General Fund revenues were \$3,368,447, \$773 less than the prior year. General fund expenditures increased by 1.5% from \$3,224,263 in 2013, to \$3,273,868 in 2014. Revenues have exceeded expenditures for the past five years.
- The district received \$247,211 in Secure an Advanced Vision for Education (SAVE) funds compared to \$228,848 in sales tax revenue in 2013.
- Construction began in August 2013 on the \$2,085,000 bond issue construction and renovation project. The project includes renovation of the school lunchroom, construction of new math and science classrooms, school offices, and a practice size gymnasium. Completion is scheduled for October 2014.
- The district issued \$700,000 Sales Tax Revenue Bonds in 2013-14 to finance additional construction costs.
- Capital improvement in 2013-14 included installation of an energy efficient boiler in the high school building, upgrading the high school electrical panels, remodeling existing high school locker rooms, renovating the student parking lot, relocating the elementary playground, installing property fences, installing tiling to improve the property drainage system, and construction of a new driveway entrance to the school property.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: Management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

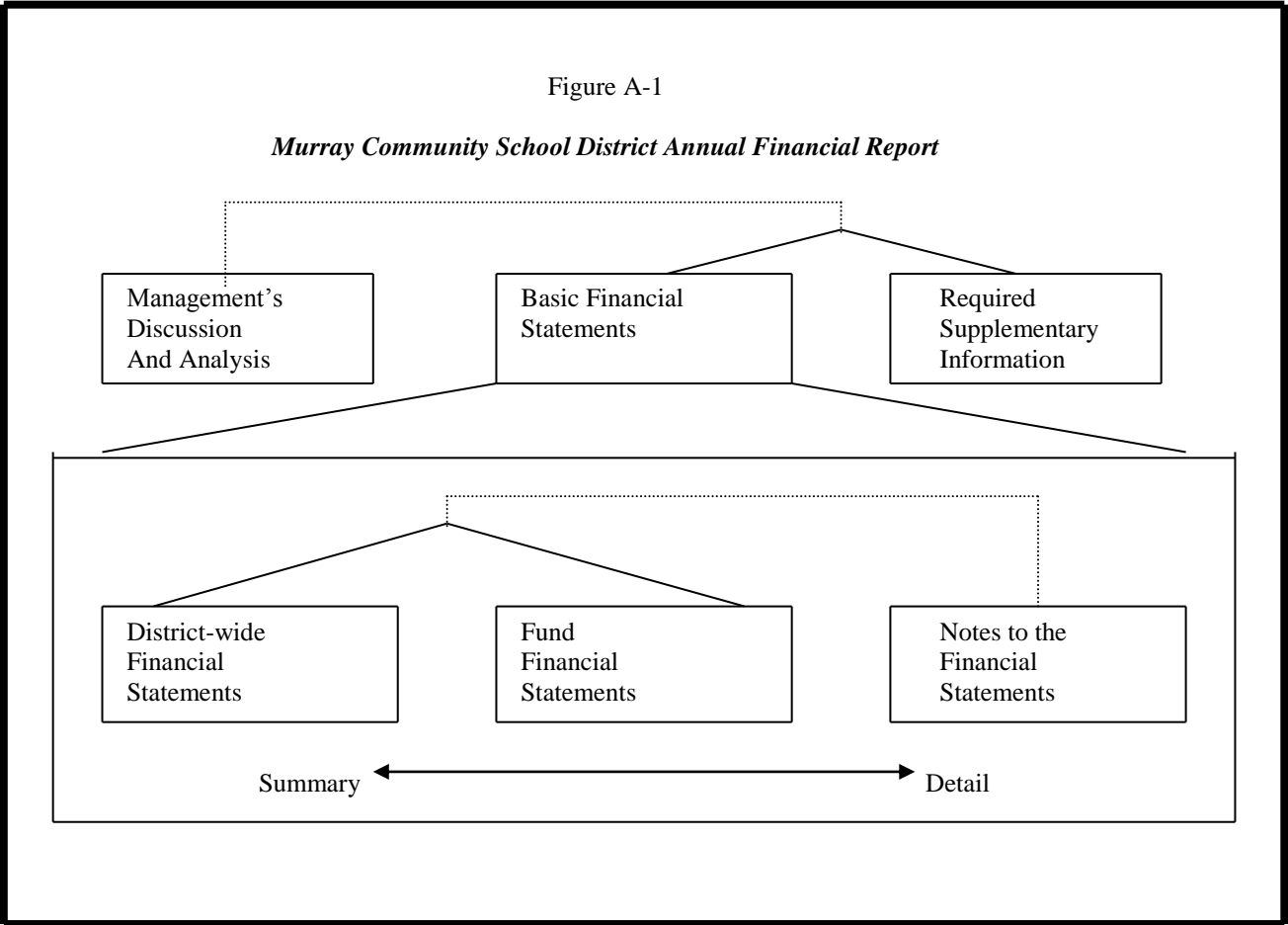


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<p>Figure A-2 Major Features of the District-Wide and Fund Financial Statements</p>				
	District-wide Statements	Fund Statements		
		Governmental funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of Activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in net position Statement of cash Flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-section companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether the financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District use to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal funds.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The School District as a Whole

Net position. A comparison of the District's combined net position for 2012, 2013 and 2014 follows:

Figure A-3
Statement of Net Position

	Governmental Activities			Business-Type Activities			Total School District		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Assets:									
Current and other Assets	\$3,325,981	\$5,690,376	\$4,738,729	\$125,393	132,260	137,523	3,451,374	5,822,636	4,876,252
Capital assets	<u>1,381,742</u>	<u>1,564,213</u>	<u>3,535,809</u>	<u>72,782</u>	<u>67,673</u>	<u>59,395</u>	<u>1,454,524</u>	<u>1,631,886</u>	<u>3,595,204</u>
Total assets	4,707,723	7,254,589	8,274,538	198,175	199,933	196,918	4,905,898	7,454,522	8,471,456
Long-term obligations	66,086	2,092,320	2,518,400		0	0	66,086	2,092,320	2,518,400
Other obligations	<u>1,127,585</u>	<u>1,227,550</u>	<u>763,814</u>	<u>16,206</u>	<u>28,443</u>	<u>16,330</u>	<u>1,143,791</u>	<u>1,255,993</u>	<u>780,144</u>
Total liabilities	1,193,671	3,319,870	3,282,214	16,206	28,443	16,330	1,209,877	3,348,313	3,298,544
Deferred inflow of resources	--	--	823,695	--	--	0	--	--	823,695
Net position									
Net investment in capital assets	1,321,742	1,564,213	\$1,697,875	72,782	67,673	59,395	1,394,524	1,631,886	1,757,270
Restricted	709,320	753,344	725,243	0	0	0	709,320	753,344	725,243
Unrestricted	<u>1,482,990</u>	<u>1,617,162</u>	<u>1,745,511</u>	<u>109,187</u>	<u>103,817</u>	<u>121,193</u>	<u>1,592,177</u>	<u>1,720,979</u>	<u>1,866,704</u>
Total net position	<u>\$3,514,052</u>	<u>3,934,719</u>	<u>\$4,168,629</u>	<u>181,969</u>	<u>171,490</u>	<u>180,588</u>	<u>\$3,696,021</u>	<u>\$4,106,209</u>	<u>\$4,349,217</u>

A large portion of the District's net position reflects its investment in capital assets (land, buildings and building improvements, and equipment and machinery), less related debt (bonds payable). The District's capital assets are used to provide services to students and are unavailable for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Change in net position – Figure A-4 shows a comparison of the changes in net position for three years ending June 30, 2014.

Figure A-4
Changes in Net Position

	Governmental Type Activities			Business-Type Activities			Total District Activities		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Revenues									
Program revenues:									
Charges for service & sales	\$695,079	\$858,982	\$917,642	\$87,097	\$80,196	\$75,462	\$782,176	\$939,178	\$993,104
Operating grants, contributions, and restricted interest	656,377	601,683	596,552	132,360	138,358	125,749	788,737	740,041	722,301
Capital grants, contributions and restricted interest	38,120	75,975	0	0	0		38,120	75,975	0
General revenues:							-	-	-
Property tax	809,136	728,716	631,640	0	0	0	809,136	728,716	631,640
Debt Service	25,381	4,689	163,161	0	0	0	25,381	4,689	163,161
PPEL	18,827	19,243	19,942	0	0	0	18,827	19,243	19,942
Local Option Sales and Services tax	211,992	228,848	247,211	0	0	0	211,992	228,848	247,211
Income Surtax	95,404	107,054	120,571	0	0	0	95,404	107,054	120,571
Unrestricted state grants	1,269,582	1,337,966	1,343,472	0	0	0	1,269,582	1,337,966	1,343,472
Unrestricted interest earnings	4,923	4,798	6,745	40	90	95	4,963	4,888	6,840
Loss on disposal of equipment	0			0	0	0	-	-	-
Other	<u>128,157</u>	<u>37,956</u>	<u>14,289</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>128,157</u>	<u>37,956</u>	<u>14,289</u>
Total Revenues	\$3,952,978	\$4,005,910	\$4,061,225	\$219,497	\$218,644	\$201,306	\$4,172,475	\$4,224,554	\$4,262,531
Program expenses									
Governmental activities:									
Instruction	2,066,348	2,209,662	2,248,004	0	0	0	2,066,348	2,209,662	2,248,004
Support Services	1,053,362	1,175,728	1,179,294	0	0	0	1,053,362	1,175,728	1,179,294
Non-instructional programs	0	0	0	241,765	229,123	192,208	241,765	229,123	192,208
Other expenses	<u>290,383</u>	<u>199,853</u>	<u>400,017</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>290,383</u>	<u>199,853</u>	<u>400,017</u>
	\$3,410,093	\$3,585,243	\$3,827,315	\$241,765	\$229,123	\$192,208	\$3,651,858	\$3,814,366	\$4,019,523
Change in net position	\$542,885	\$420,667	\$233,910	(\$22,268)	(\$10,479)	\$9,098	\$520,617	\$410,188	\$243,008

	2013	2014
Fiscal year revenue sources for the District by percentage are as follows:		
Property tax and unrestricted state grants	50%	51 %
Charges for sales and services	22%	23 %
Operating and capital grants, contributions, and restricted interest	19%	17 %
Sales and services tax, income surtax, interest and other sources	9%	9 %

The District's expenses primarily relate to instruction and support services, which accounted for 85% of the total expenses for 2014.

Governmental Activities

Figure A-5 presents a comparison of the total and net cost of the District's major governmental activities:

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2012	2013	2014	2012	2013	2014
Instruction	\$2,066,348	\$2,209,662	\$2,248,004	\$ 822,837	\$ 855,722	\$ 855,088
Support Services	1,053,362	1,175,728	1,179,294	1,052,862	1,175,728	1,169,896
Non-instructional programs	0	0	0	0	0	0
Other expenses	<u>290,383</u>	<u>199,853</u>	<u>400,017</u>	<u>144,818</u>	<u>17,153</u>	<u>288,137</u>
Totals	\$3,410,093	\$ 3,585,243	\$ 3,827,315	\$2,020,517	\$ 2,048,603	\$ 2,313,121

	2012	2013	2014
• Costs financed by users of the District's programs	\$ 695,079	\$ 858,982	\$917,642
• Federal and state governments grants & contributions	694,497	677,658	596,552
• Net cost of governmental activities financed by:			
Property, income, and sales taxes	1,160,740	1,088,550	1,182,525
Unrestricted state funds	1,269,582	1,337,966	1,343,472
Interest income	4,923	4,798	6,745
Other general revenues	128,157	37,956	14,289

Business-Type Activities

Revenues of the District's business-type activities were \$201,306 and expenses were \$192,208. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Murray Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District ended 2014, its governmental funds reported combined fund balances of \$3,210,530.

Governmental Fund Highlights

General Fund revenues and other financing sources exceeded expenditures by \$96,079. The building renovation and addition project was 82% completed by June 30, 2014 and accounted for the increase in capital projects expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net position was \$180,588 for the year ending June 30, 2014, an increase of \$9,098 from the prior year. The decrease in expenditures was attributable to a reduction in labor costs and food costs.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust fund. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights

The District's total actual revenues were \$122,685 greater than the total projected certified budget receipts, a variance of 3%.

Total expenditures were less than budgeted. It is the practice of the District to budget expenditures at the maximum authorized spending authority for all funds. The district controls spending through the line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2014, the District had invested \$3,535,809, net of accumulated depreciation of \$2,155,836, in a broad range of governmental capital assets, including land, buildings and building improvements, ground improvements, vehicles, and furniture. Business-type activities had invested \$59,395, net of accumulated depreciation of \$57,991, in capital assets. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$109,189 for governmental activities, and \$9,108 for business-type activities.

The District has set capitalization levels of \$1500 for all governmental activities assets. Business-type activities utilize the \$500 capitalization level as required by regulations of the Bureau of Food and Nutrition.

Figure A-6

Capital Assets, net of Depreciation

	Governmental Activities	Business-type Activities	Total School District
Land	\$ 51,520	\$ 0	\$ 51,520
Construction in progress	1,957,934	0	1,957,934
Buildings	1,170,988	0	1,170,988
Improvements, other than buildings	300,458	0	300,458
Furniture and equipment	<u>54,909</u>	<u>59,395</u>	<u>114,304</u>
Total	<u>\$ 3,535,809</u>	<u>\$ 59,395</u>	<u>\$ 3,595,204</u>

Long-Term Liabilities

At June 30, 2014, the District had long-term liabilities totaling \$2,673,400 of which \$1,965,000 was for General Obligation Bonds, \$700,000 for Revenue Bonds and \$8,400 was for Other Postemployment Benefits (OPEB). More detailed information is available in Notes 5 and 6 to the financial statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- Effective fiscal year 2014 GASB Statement No.68 will take effect and will have a downward effect on total net assets.
- The district continues to share superintendent services, transportation director and four teachers. Sharing these positions has allowed the district to expand class offerings and add additional staff.
- Revenues exceeded expenditures during the 2013-14 year for the fifth straight year.
- The number of resident and nonresident students served in the District decreased by 11 students in October 2013, resulting in lower future funding.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Elizabeth Justice, District Secretary/Business Manager, Murray Community School District, PO Box 187, Murray, Iowa 50174.

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Basic Financial Statements

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 3,550,168	\$ 132,579	\$ 3,682,747
Receivables:			
Property tax:			
Current year	13,341	-	13,341
Succeeding year	823,695	-	823,695
Income surtax	107,048	-	107,048
Accounts	9,039	-	9,039
Due from other governments	235,438	-	235,438
Inventories	-	4,944	4,944
Capital assets, net of accumulated depreciation (note 4)	3,535,809	59,395	3,595,204
Total assets	8,274,538	196,918	8,471,456
Liabilities			
Accounts payable	251,004	495	251,499
Salaries and benefits payable	346,452	11,261	357,713
Unearned revenue	-	4,574	4,574
Accrued interest payable	11,358	-	11,358
Long-term liabilities (note 5):			
Portion due within one year:			
Bonds payable	155,000	-	155,000
Portion due after one year:			
Bonds payable	2,510,000	-	2,510,000
Net OPEB liability	8,400	-	8,400
Total liabilities	3,282,214	16,330	3,298,544
Deferred Inflows of Resources			
Unavailable property tax revenue	823,695	-	823,695

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
Net Position			
Net investment in capital assets	\$ 1,697,875	\$ 59,395	\$ 1,757,270
Restricted for:			
Categorical funding	133,742	-	133,742
Debt service	66,003	-	66,003
Capital projects	218,041	-	218,041
Physical plant and equipment levy purposes	9,186	-	9,186
Management levy purposes	136,830	-	136,830
Student activities	161,441	-	161,441
Unrestricted	1,745,511	121,193	1,866,704
Total net position	\$ <u>4,168,629</u>	\$ <u>180,588</u>	\$ <u>4,349,217</u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction :			
Regular instruction	1,363,442	615,005	358,947
Special instruction	268,763	105,613	116,327
Other instruction	615,799	197,024	-
	<u>\$ 2,248,004</u>	<u>\$ 917,642</u>	<u>\$ 475,274</u>
Support services:			
Student	96,906	-	-
Instructional staff	146,877	-	-
Administration	459,411	-	-
Operation and maintenance of plant	295,179	-	9,398
Transportation	180,921	-	-
	<u>1,179,294</u>	<u>-</u>	<u>9,398</u>
Other expenditures:			
Facilities acquisition	156,602	-	-
Long-term debt interest and fiscal charges	55,666	-	-
AEA flowthrough	111,880	-	111,880
Depreciation (unallocated) *	75,869	-	-
	<u>400,017</u>	<u>-</u>	<u>111,880</u>
Total governmental activities	3,827,315	917,642	596,552

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(389,490)	-	(389,490)
(46,823)	-	(46,823)
(418,775)	-	(418,775)
<u>\$ (855,088)</u>	<u>\$ -</u>	<u>\$ (855,088)</u>
(96,906)	-	(96,906)
(146,877)	-	(146,877)
(459,411)	-	(459,411)
(285,781)	-	(285,781)
(180,921)	-	(180,921)
<u>(1,169,896)</u>	<u>-</u>	<u>(1,169,896)</u>
(156,602)	-	(156,602)
(55,666)	-	(55,666)
-	-	-
(75,869)	-	(75,869)
<u>(288,137)</u>	<u>-</u>	<u>(288,137)</u>
<u>(2,313,121)</u>	<u>-</u>	<u>(2,313,121)</u>

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities:			
Non-instructional programs:			
Food service operations	\$ 192,208	\$ 75,462	\$ 125,749
Total	\$ 4,019,523	\$ 993,104	\$ 722,301

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ -	\$ 9,003	\$ 9,003
(2,313,121)	9,003	(2,304,118)
\$ 631,640	\$ -	\$ 631,640
163,161	-	163,161
19,942	-	19,942
120,571	-	120,571
247,211	-	247,211
1,343,472	-	1,343,472
6,745	95	6,840
14,289	-	14,289
2,547,031	95	2,547,126
233,910	9,098	243,008
3,934,719	171,490	4,106,209
\$ 4,168,629	\$ 180,588	\$ 4,349,217

MURRAY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 2,000,286	\$ 1,174,269	\$ 375,613	\$ 3,550,168
Receivables:				
Property tax:				
Current year	9,547	324	3,470	13,341
Succeeding year	623,662	19,260	180,773	823,695
Income surtax	107,048	-	-	107,048
Accounts	-	9,039	-	9,039
Due from other governments	140,928	94,510	-	235,438
Total assets	<u>\$ 2,881,471</u>	<u>\$ 1,297,402</u>	<u>\$ 559,856</u>	<u>\$ 4,738,729</u>

MURRAY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 23,966	\$ 223,849	\$ 3,189	\$ 251,004
Salaries and benefits payable	346,190	-	262	346,452
Total liabilities	370,156	223,849	3,451	597,456
Deferred Inflows of Resources:				
Unavailable revenues:				
Succeeding year property tax	623,662	19,260	180,773	823,695
Other	107,048	-	-	107,048
Total deferred inflows of resources	730,710	19,260	180,773	930,743
Fund balances:				
Restricted for:				
Categorical funding (note 10)	133,742	-	-	133,742
Debt service	-	-	77,361	77,361
School infrastructure	-	1,045,107	-	1,045,107
Physical plant and equipment	-	9,186	-	9,186
Management levy purposes	-	-	136,830	136,830
Student activities	-	-	161,441	161,441
Assigned:				
Furnishings/equipment	300,000	-	-	300,000
Unassigned	1,346,863	-	-	1,346,863
Total fund balances	1,780,605	1,054,293	375,632	3,210,530
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,881,471	\$ 1,297,402	\$ 559,856	\$ 4,738,729

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014

Total fund balances of governmental funds	\$ 3,210,530
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,535,809
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	107,048
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(11,358)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(2,673,400)</u>
Net position of governmental activities	<u><u>\$ 4,168,629</u></u>
See notes to financial statements.	

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 704,041	\$ 19,932	\$ 213,189	\$ 937,162
Tuition	608,797	-	-	608,797
Other	146,304	20,300	187,398	354,002
State sources	1,776,419	247,220	103	2,023,742
Federal sources	132,886	-	-	132,886
Total revenues	<u>3,368,447</u>	<u>287,452</u>	<u>400,690</u>	<u>4,056,589</u>
Expenditures:				
Current:				
Instruction	<u>2,042,999</u>	<u>-</u>	<u>194,998</u>	<u>2,237,997</u>
Support services:				
Student	96,906	-	-	96,906
Instructional staff	111,183	35,694	-	146,877
Administration	455,730	809	1,000	457,539
Operation and maintenance of plant	291,938	-	10,141	302,079
Transportation	163,232	-	-	163,232
	<u>1,118,989</u>	<u>36,503</u>	<u>11,141</u>	<u>1,166,633</u>
Other expenditures:				
Facilities acquisition	-	2,225,655	-	2,225,655
Long term debt:				
Principal	-	-	120,000	120,000
Interest and fiscal charges	-	-	47,581	47,581
AEA flowthrough	111,880	-	-	111,880
	<u>111,880</u>	<u>2,225,655</u>	<u>167,581</u>	<u>2,505,116</u>
Total expenditures	<u>3,273,868</u>	<u>2,262,158</u>	<u>373,720</u>	<u>5,909,746</u>
Excess (deficiency) of revenues over (under) expenditures	<u>94,579</u>	<u>(1,974,706)</u>	<u>26,970</u>	<u>(1,853,157)</u>

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Sale of equipment	\$ 1,500	\$ -	\$ -	\$ 1,500
Revenue bonds issued	-	700,000	-	700,000
Interfund transfers in (note 3)	-	-	79,694	79,694
Interfund transfers out (note 3)	-	(79,694)	-	(79,694)
Total other financing sources (uses)	<u>1,500</u>	<u>620,306</u>	<u>79,694</u>	<u>701,500</u>
Net change in fund balances	96,079	(1,354,400)	106,664	(1,151,657)
Fund balances beginning of year	<u>1,684,526</u>	<u>2,408,693</u>	<u>268,968</u>	<u>4,362,187</u>
Fund balances end of year	<u>\$ 1,780,605</u>	<u>\$ 1,054,293</u>	<u>\$ 375,632</u>	<u>\$ 3,210,530</u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (1,151,657)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the current year are as follows:

Capital outlays	\$	2,080,785	
Depreciation expense		<u>(109,189)</u>	1,971,596

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.	3,136
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(700,000)
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Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.	120,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(8,085)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Net OPEB liability	<u>(1,080)</u>
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Change in net position of governmental activities	\$ <u><u>233,910</u></u>
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See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUND

June 30, 2014

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 132,579
Inventories	4,944
Capital assets, net of accumulated depreciation (note 4)	<u>59,395</u>
Total assets	<u>196,918</u>
Liabilities	
Accounts payable	495
Salaries and benefits payable	11,261
Unearned revenue	<u>4,574</u>
Total liabilities	<u>16,330</u>
Fund Net Position	
Net investment in capital assets	59,395
Unrestricted	<u>121,193</u>
Total fund net position	<u>\$ 180,588</u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 Year Ended June 30, 2014

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>75,462</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	61,889
Benefits	17,506
Purchased services	5,578
Supplies	98,112
Depreciation	9,108
Other	<u>15</u>
Total operating expenses	<u>192,208</u>
Operating loss	(116,746)
Non-operating revenues:	
Interest on investments	95
State sources	1,905
Federal sources	<u>123,844</u>
Total non-operating revenues	<u>125,844</u>
Change in fund net position	9,098
Fund net position beginning of year	<u>171,490</u>
Fund net position end of year	\$ <u><u>180,588</u></u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2014

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 75,759
Cash received from miscellaneous operating activities	502
Cash payments to employees for services	(79,445)
Cash payments to suppliers for goods or services	<u>(105,385)</u>
Net cash used by operating activities	<u>(108,569)</u>
Cash flows from non-capital financing activities:	
State grants received	1,905
Federal grants received	<u>119,132</u>
Net cash provided by non-capital financing activities	<u>121,037</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(830)</u>
Cash flows from investing activities:	
Interest on investments	<u>95</u>
Net increase in cash and cash equivalents	11,733
Cash and cash equivalents beginning of year	<u>120,846</u>
Cash and cash equivalents end of year	<u>\$ 132,579</u>

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2014

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (116,746)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	9,108
Commodities used	12,172
(Increase) in inventories	(990)
(Decrease) in accounts payable	(12,862)
(Decrease) in salaries and benefits payable	(50)
Increase in unearned revenue	<u>799</u>
Net cash used by operating activities	<u><u>\$ (108,569)</u></u>

Non-cash financing activities:

During the year ended June 30, 2014, the District received \$12,172 of federal commodities.

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2014

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>151,502</u>
Fiduciary Net Position:	
Restricted for scholarships and other purposes	\$ <u><u>151,502</u></u>
See notes to financial statements.	

MURRAY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2014

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 20,894
Interest	<u>80</u>
Total additions	<u>20,974</u>
Deductions:	
Instruction:	
Scholarships awarded	4,950
Other	<u>11,300</u>
	<u>16,250</u>
Change in fiduciary net position	4,724
Fiduciary net position beginning of year	<u>146,778</u>
Fiduciary net position end of year	<u>\$ 151,502</u>
See notes to financial statements.	

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

Murray Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Murray, Iowa, and agricultural territory in Clarke, Decatur, and Union Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Murray Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Murray Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clarke County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following nonmajor proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances, in that order.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax receivable is recognized in the governmental funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of one year.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employees in the year it is earned. The District has no compensated absences liability at June 30, 2014.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collectible within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures/expenses did not exceed the amounts budgeted in any function.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Cash and Pooled Investments (continued)

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	<hr/>
Diversified Portfolio	\$ <u>422,636</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>79,694</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 51,520	\$ -	\$ -	\$ 51,520
Construction in progress	116,120	1,841,814	-	1,957,934
Total capital assets not being depreciated	167,640	1,841,814	-	2,009,454
Capital assets being depreciated:				
Buildings	2,462,092	72,332	22,500	2,511,924
Improvements other than buildings	263,978	154,907	-	418,885
Furniture and equipment	778,661	11,732	39,011	751,382
Total capital assets being depreciated	3,504,731	238,971	61,511	3,682,191
Less accumulated depreciation for:				
Buildings	1,303,575	59,861	22,500	1,340,936
Improvements other than buildings	102,419	16,008	-	118,427
Furniture and equipment	702,164	33,320	39,011	696,473
Total accumulated depreciation	2,108,158	109,189	61,511	2,155,836
Total capital assets being depreciated, net	1,396,573	129,782	-	1,526,355
Governmental activities capital assets, net	\$ 1,564,213	\$ 1,971,596	\$ -	\$ 3,535,809
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 116,556	\$ 830	\$ -	\$ 117,386
Less accumulated depreciation	48,883	9,108	-	57,991
Business-type activities capital assets, net	\$ 67,673	\$ (8,278)	\$ -	\$ 59,395

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 13,479
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Support services:

Administration	1,709
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Operation and maintenance of plant	443
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Transportation	17,689
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<u>33,320</u>

Unallocated depreciation	<u>75,869</u>
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Total depreciation expense - governmental activities	\$ <u><u>109,189</u></u>
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Business-type activities:

Food service operations	\$ <u><u>9,108</u></u>
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MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,085,000	\$ -	\$ 120,000	\$ 1,965,000	\$ 90,000
Revenue bonds	-	700,000	-	700,000	65,000
Net OPEB liability	7,320	1,080	-	8,400	-
Total	<u>\$ 2,092,320</u>	<u>\$ 701,080</u>	<u>\$ 120,000</u>	<u>\$ 2,673,400</u>	<u>\$ 155,000</u>

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond issue dated June 1, 2013		
		Principal	Interest	Total
2015	0.60 %	\$ 90,000	\$ 39,273	\$ 129,273
2016	0.70	90,000	38,733	128,733
2017	0.85	90,000	38,102	128,102
2018	1.00	95,000	37,338	132,338
2019	1.15	95,000	36,387	131,387
2020	1.35	95,000	35,295	130,295
2021	1.50	95,000	34,012	129,012
2022	1.65	95,000	32,588	127,588
2023	1.75	100,000	31,020	131,020
2024	1.85	100,000	29,270	129,270
2025	2.15	100,000	27,420	127,420
2026	2.45	105,000	25,270	130,270
2027	2.60	105,000	22,697	127,697
2028	2.65	110,000	19,967	129,967
2029	2.75	115,000	17,053	132,053
2030	2.80	115,000	13,890	128,890
2031	2.85	120,000	10,670	130,670
2032	2.90	125,000	7,250	132,250
2033	2.90	125,000	3,625	128,625
		<u>\$ 1,965,000</u>	<u>\$ 499,860</u>	<u>\$ 2,464,860</u>

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

During the year ended June 30, 2014, the District issued \$700,000 in school infrastructure sales, services and use tax revenue bonds. The bonds, dated August 15, 2013, are payable through the year ended June 30, 2024 and have an interest rate of 2.31%. The proceeds will be used for the construction and furnishing of a building addition and for site improvements.

Details of the District's June 30, 2014 revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	2.31 %	\$ 65,000	\$ 15,419	\$ 80,419
2016	2.31	65,000	13,918	78,918
2017	2.31	65,000	12,416	77,416
2018	2.31	70,000	10,857	80,857
2019	2.31	70,000	9,240	79,240
2020	2.31	70,000	7,623	77,623
2021	2.31	70,000	6,006	76,006
2022	2.31	75,000	4,331	79,331
2023	2.31	75,000	2,599	77,599
2024	2.31	75,000	866	75,866
		<u>\$ 700,000</u>	<u>\$ 83,275</u>	<u>\$ 783,275</u>

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 27 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	9,641
Interest on net OPEB obligation		329
Adjustment to annual required contribution		(286)
Annual OPEB cost		<u>9,684</u>
Contributions made		<u>8,604</u>
Increase in net OPEB obligation		1,080
Net OPEB obligation beginning of year		<u>7,320</u>
Net OPEB obligation end of year	\$	<u><u>8,400</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$8,604 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 14,000	85.7%	\$ 6,086
2013	9,838	87.5%	7,320
2014	9,684	88.8%	8,400

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$89,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$89,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,140,000, and the ratio of the UAAL to covered payroll was 4.2%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 2%. The ultimate medical trend rate is 6%. The medical trend rate is adjusted each year accordingly to match the rates as noted by the National Health Care Expenditures Projections of the Office of the Actuaries at the Centers for Medicare and Medicaid Services in 2007.

Mortality rates are from the Life Expectancy Table from the National Center for Health Statistics, updated in 2008, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from table I in GASB 45 paragraph 35(b).

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$189,623, \$175,618, and \$158,213, respectively, equal to the required contributions for each year.

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$111,880 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Four year old preschool state aid	\$ 41,719
Professional development	28,834
Returning dropouts and dropout prevention programs	18,495
Successful progression for early readers	13,925
Professional development for model core curriculum	12,999
At-risk programs	9,934
Teacher salary supplement	2,865
Empowerment professional development grant	2,000
Teacher leadership	1,045
Beginning teacher mentoring	1,029
Gifted and talented programs	391
Early childhood programs	363
Administrator mentoring	143
Total	<u>\$ 133,742</u>

Note 11. Construction Commitments

The District has entered into various contracts totaling \$2,653,836 for a building addition. As of June 30, 2014, costs of \$1,814,349 had been incurred against the contracts. The balance of \$839,487 remaining at June 30, 2014 will be paid as work on the project progresses.

Note 12. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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Required Supplementary Information

MURRAY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2014

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 1,899,961	\$ 75,557	\$ 1,975,518	\$ 1,965,302	\$ 1,965,302	\$ 10,216
Intermediate sources	-	-	-	1,000	1,000	(1,000)
State sources	2,023,742	1,905	2,025,647	1,903,908	1,903,908	121,739
Federal sources	132,886	123,844	256,730	265,000	265,000	(8,270)
Total revenues	4,056,589	201,306	4,257,895	4,135,210	4,135,210	122,685
EXPENDITURES/EXPENSES:						
Instruction	2,237,997	-	2,237,997	2,842,000	2,842,000	604,003
Support services	1,166,633	-	1,166,633	1,683,000	1,683,000	516,367
Non-instructional programs	-	192,208	192,208	375,000	375,000	182,792
Other expenditures	2,505,116	-	2,505,116	2,700,672	3,400,000	894,884
Total expenditures/expenses	5,909,746	192,208	6,101,954	7,600,672	8,300,000	2,198,046
Excess (deficiency) of revenues over (under) expenditures/ expenses	(1,853,157)	9,098	(1,844,059)	(3,465,462)	(4,164,790)	2,320,731
Other financing sources, net	701,500	-	701,500	-	-	701,500
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(1,151,657)	9,098	(1,142,559)	(3,465,462)	(4,164,790)	3,022,231
Balance beginning of year	4,362,187	171,490	4,533,677	4,701,592	4,701,592	(167,915)
Balance end of year	<u>\$ 3,210,530</u>	<u>\$ 180,588</u>	<u>\$ 3,391,118</u>	<u>\$ 1,236,130</u>	<u>\$ 536,802</u>	<u>\$ 2,854,316</u>

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures/expenses by \$699,328.

During the year ended June 30, 2014, expenditures/expenses did not exceed the amounts budgeted.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 99	\$ 99	0.0%	\$ 1,757	5.6%
2011	July 1, 2009	-	99	99	0.0%	1,861	5.3%
2012	July 1, 2009	-	99	99	0.0%	1,980	5.0%
2013	July 1, 2012	-	89	89	0.0%	2,028	4.4%
2014	July 1, 2012	-	89	89	0.0%	2,140	4.2%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue			
	Management	Student	Debt	
	Levy	Activity	Service	Total
Assets				
Cash and pooled investments	\$ 136,014	\$ 164,892	\$ 74,707	\$ 375,613
Receivables:				
Property tax:				
Current year	816	-	2,654	3,470
Succeeding year	50,000	-	130,773	180,773
Total assets	<u>\$ 186,830</u>	<u>\$ 164,892</u>	<u>\$ 208,134</u>	<u>\$ 559,856</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 3,189	\$ -	\$ 3,189
Salaries and benefits payable	-	262	-	262
Total liabilities	<u>-</u>	<u>3,451</u>	<u>-</u>	<u>3,451</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	50,000	-	130,773	180,773
Fund balances:				
Debt service	-	-	77,361	77,361
Management levy purposes	136,830	-	-	136,830
Student activities	-	161,441	-	161,441
Total fund balances	<u>136,830</u>	<u>161,441</u>	<u>77,361</u>	<u>375,632</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 186,830</u>	<u>\$ 164,892</u>	<u>\$ 208,134</u>	<u>\$ 559,856</u>

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2014

	Special Revenue		Debt	
	Management	Student	Service	Total
	Levy	Activity		
Revenues:				
Local sources:				
Local tax	\$ 50,108	\$ -	\$ 163,081	\$ 213,189
Other	-	187,398	-	187,398
State sources	24	-	79	103
Total revenues	<u>50,132</u>	<u>187,398</u>	<u>163,160</u>	<u>400,690</u>
Expenditures:				
Current:				
Instruction	26,935	168,063	-	194,998
Support services:				
Administration	1,000	-	-	1,000
Operation and maintenance of plant	10,141	-	-	10,141
Other expenditures:				
Long term debt:				
Principal	-	-	120,000	120,000
Interest and fiscal charges	-	-	47,581	47,581
Total expenditures	<u>38,076</u>	<u>168,063</u>	<u>167,581</u>	<u>373,720</u>
Excess (deficiency) of revenues over (under) expenditures	12,056	19,335	(4,421)	26,970
Other financing sources (uses):				
Interfund transfers in	-	-	79,694	79,694
Net change in fund balances	12,056	19,335	75,273	106,664
Fund balances beginning of year	<u>124,774</u>	<u>142,106</u>	<u>2,088</u>	<u>268,968</u>
Fund balances end of year	<u>\$ 136,830</u>	<u>\$ 161,441</u>	<u>\$ 77,361</u>	<u>\$ 375,632</u>

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 696,225	\$ 8,862	\$ 469,182	\$ 1,174,269
Receivables:				
Property tax:				
Current year	-	324	-	324
Succeeding year	-	19,260	-	19,260
Accounts	9,039	-	-	9,039
Due from other governments	94,510	-	-	94,510
Total assets	<u>\$ 799,774</u>	<u>\$ 28,446</u>	<u>\$ 469,182</u>	<u>\$ 1,297,402</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 26,214	\$ -	\$ 197,635	\$ 223,849
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	19,260	-	19,260
	-	19,260	-	19,260
Fund balances:				
Restricted for:				
School infrastructure	773,560	-	271,547	1,045,107
Physical plant and equipment	-	9,186	-	9,186
Total fund balances	<u>773,560</u>	<u>9,186</u>	<u>271,547</u>	<u>1,054,293</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 799,774</u>	<u>\$ 28,446</u>	<u>\$ 469,182</u>	<u>\$ 1,297,402</u>

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS ACCOUNTS
Year Ended June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 19,932	\$ -	\$ 19,932
Other	9,400	9,398	1,502	20,300
State sources	247,210	10	-	247,220
Total revenues	<u>256,610</u>	<u>29,340</u>	<u>1,502</u>	<u>287,452</u>
Expenditures:				
Current:				
Support services:				
Instructional staff	35,694	-	-	35,694
Administration	809	-	-	809
Facilities acquisition	258,890	119,987	1,846,778	2,225,655
Total expenditures	<u>295,393</u>	<u>119,987</u>	<u>1,846,778</u>	<u>2,262,158</u>
Excess (deficiency) of revenues over (under) expenditures	(38,783)	(90,647)	(1,845,276)	(1,974,706)
Other financing sources (uses):				
Revenue bonds issued	700,000	-	-	700,000
Interfund transfers out	(79,694)	-	-	(79,694)
Total other financing sources (uses)	<u>620,306</u>	<u>-</u>	<u>-</u>	<u>620,306</u>
Net change in fund balances	581,523	(90,647)	(1,845,276)	(1,354,400)
Fund balances beginning of year	<u>192,037</u>	<u>99,833</u>	<u>2,116,823</u>	<u>2,408,693</u>
Fund balances end of year	<u>\$ 773,560</u>	<u>\$ 9,186</u>	<u>\$ 271,547</u>	<u>\$ 1,054,293</u>

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Student Mentor Groups	\$ 1,106	\$ -	\$ -	\$ 1,106
Elementary Student Council	702	-	90	612
Athletics	16,014	10,484	9,088	17,410
Band/Vocal Resale	-	430	-	430
Class of:				
2012	-	68	-	68
2013	2,073	591	-	2,664
2014	3,849	5,542	9,325	66
2015	435	13,783	11,346	2,872
2016	165	518	-	683
2017	10	-	25	(15)
2018	57	-	-	57
Past Graduates	23	-	-	23
Fruit Sales	5,807	5,750	11,378	179
Basketball Camp	798	2,851	2,920	729
Programs Fund	181	-	-	181
Concession Supplies	4,881	3,148	1,683	6,346
Physics Club	1,256	6,394	1,099	6,551
All School Fundraisers	4,599	-	107	4,492
FFA	1,441	22,533	15,341	8,633
FFA Soils Kit Fund	(3,920)	30,750	20,158	6,672
FHA	3,352	8,697	4,183	7,866
FNA	431	739	452	718
Book Fair	2,026	-	151	1,875
Miscellaneous Athletics	1,683	-	-	1,683
Student Council	3,954	1,148	1,134	3,968
Drama	2,047	2,546	1,821	2,772
Picture Fund	486	190	-	676
French Club	2,194	1,016	607	2,603
Student Council Pop	2,226	65	1,390	901
Supplies	1,150	-	-	1,150
Baseball/Softball	(13,201)	6,355	7,204	(14,050)
Basketball	22,685	8,179	5,129	25,735
Football	10,988	13,915	9,016	15,887
Track	1,276	982	2,000	258
Volleyball	822	3,859	4,668	13
Interest	2,177	741	49	2,869
Yearbook	8,919	3,965	3,026	9,858
TAG Club	2,029	75	185	1,919

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
After Prom	\$ 2,091	\$ 4,730	\$ 4,431	\$ 2,390
FBLA	94	-	-	94
Vocal Music - Trips	2,126	555	1,594	1,087
Weightlifting	47	-	-	47
Wrestling	55	-	-	55
Swim Fund	8,615	1,870	2,617	7,868
Character Counts	2,643	-	316	2,327
Mustang Pride	624	-	142	482
Co-Curricular Activity Fund	4,852	1,640	6,735	(243)
Student Council Ice Cream	13,466	-	-	13,466
Student Flower Fund	2,594	-	141	2,453
Elementary Apparel Fund	801	2,391	2,175	1,017
Gate Change	(300)	200	400	(500)
Preschool Fundraising	3,649	3,610	5,359	1,900
Elementary Trips	1,107	-	-	1,107
Elementary Fundraiser	4,921	17,088	20,578	1,431
Total	\$ <u>142,106</u>	\$ <u>187,398</u>	\$ <u>168,063</u>	\$ <u>161,441</u>

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 937,162	\$ 1,088,150	\$ 1,161,960	\$ 1,002,218
Tuition	608,797	454,255	453,963	463,404
Other	354,002	467,318	293,472	259,571
Intermediate sources	-	755	811	873
State sources	2,023,742	1,771,146	1,691,348	1,891,338
Federal sources	132,886	116,814	215,845	203,461
Total revenues	<u>\$ 4,056,589</u>	<u>\$ 3,898,438</u>	<u>\$ 3,817,399</u>	<u>\$ 3,820,865</u>
Expenditures:				
Instruction	\$ 2,237,997	\$ 2,209,054	\$ 2,055,492	\$ 2,102,658
Support services:				
Student	96,906	94,118	96,141	96,679
Instructional staff	146,877	160,568	94,086	117,427
Administration	457,539	616,785	425,429	359,702
Operation and maintenance of plant	302,079	246,572	267,474	236,142
Transportation	163,232	172,203	145,745	143,524
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	2,225,655	154,425	170,520	171,520
Long-term debt:				
Principal	120,000	60,000	80,000	80,000
Interest and fiscal charges	47,581	2,940	5,240	8,120
AEA flowthrough	111,880	106,725	107,445	121,611
Total expenditures	<u>\$ 5,909,746</u>	<u>\$ 3,823,390</u>	<u>\$ 3,447,572</u>	<u>\$ 3,437,383</u>

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	938,014	\$ 965,624	\$ 923,796	\$ 938,438	\$ 916,999	\$ 896,380
	444,997	347,215	273,297	266,003	283,044	203,009
	186,966	218,718	305,064	329,219	310,845	271,853
	3,557	3,518	2,958	1,486	-	9,566
	1,499,803	1,607,037	1,580,222	1,502,405	1,458,141	1,356,063
	298,474	207,417	125,508	117,215	144,928	122,673
\$	<u>3,371,811</u>	<u>3,349,529</u>	<u>3,210,845</u>	<u>3,154,766</u>	<u>3,113,957</u>	<u>2,859,544</u>
\$	2,080,493	\$ 2,166,382	\$ 1,973,850	\$ 1,900,248	\$ 1,852,077	\$ 1,720,732
	108,755	101,142	96,139	89,890	99,938	89,952
	84,741	104,112	130,641	125,446	74,707	75,756
	408,071	353,802	342,572	363,899	348,030	332,528
	254,411	292,718	267,602	236,628	293,685	328,761
	136,994	210,415	161,878	148,553	188,321	109,958
	-	-	-	-	-	3,903
	33,309	51,356	78,895	111,666	133,197	-
	80,000	75,000	75,000	75,000	70,000	70,000
	10,630	12,880	14,905	16,705	22,175	19,365
	112,442	99,389	95,623	93,108	90,268	89,512
\$	<u>3,309,846</u>	<u>3,467,196</u>	<u>3,237,105</u>	<u>3,161,143</u>	<u>3,172,398</u>	<u>2,840,467</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Murray Community School District:

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Murray Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Murray Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Murray Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Murray Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings as item I-A-14, that we consider to be a significant deficiency.

Compliance

As part of obtaining reasonable assurance about whether Murray Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Murray Community School District's Responses to Findings

Murray Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Murray Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Murray Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
September 23, 2014

Hunt & Associates, P.C.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-14 Disbursement Support – All disbursements made by the District should be supported at the time of the disbursement by full documentation as to the time, purpose, description and vendor behind the disbursement to fully comply with the requirement that all governmental purchases meet a public purpose and to allow the proper auditing of the disbursement by the governing body. We noted in our testing of disbursements that four of forty transactions tested lacked full supporting documentation for the underlying charges at the time of disbursement.

Recommendation – The District should require that all disbursements be fully supported as to the underlying reasons for the disbursement, including an original invoice from the vendor as necessary. The disbursement should be delayed until all required documentation is received by the business office. The supporting invoices were properly obtained at the time of the audit.

Response – We will require all supporting documentation be obtained prior to making disbursements in the future.

Conclusion – Response accepted.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting:

- II-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, did not exceed the amounts budgeted.
- II-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-14 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Terri Jones, Board Member	Substitute teacher	\$720
Marla Jeter, Spouse of Board President Dennis Jeter	Cook	\$1,864

In accordance with Chapter 279.7A of the Code of Iowa, the transaction with the Board Member does not appear to represent a conflict of interest because the total did not exceed \$2,500 for the fiscal year. In accordance with an Attorney General’s opinion dated November 9, 1976, the transaction with the board President’s spouse does not appear to represent a conflict of interest.

- II-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-14 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-14 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting (continued):

- II-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	192,037
Revenues:			
Interest	\$	360	
Other local revenues		9,039	
Statewide sales, services and use tax		180,741	
School infrastructure supplemental amount		66,470	
Issuance of long-term debt		<u>700,000</u>	956,610
Expenditures/transfers out:			
School infrastructure construction		259,699	
Equipment		35,694	
Debt Service Fund		<u>79,694</u>	<u>375,087</u>
Ending balance		\$	<u><u>773,560</u></u>

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.37960	\$ 79,694

- II-M-14 Financial Condition – The Special Revenue, Student Activity Fund had some individual account deficit balances at June 30, 2014.

Recommendation – The District needs to monitor the accounts and investigate alternatives to eliminate the deficit balances.

Response – The Board is aware of the conditions and is making strides to eliminate deficit account balances.

Conclusion – Response accepted.